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February 5, 1998

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**CERTIFIED MAIL**  
**RETURN RECEIPT REQUESTED**

Charles Klumbach  
Claims Examiner  
IRISC, Inc.  
8 Center Drive  
Jamesburg, NJ 08831

Re: Potential Claim for Environmental Damage in the  
Coeur d'Alene Basin, Northern Idaho  
Insured: Group R Co., Inc.  
You File No.: 31D0901, et al.

Dear Mr. Klumbach:

Thank you for your letter of December 4, 1997, in which you acknowledge notice of the above-referenced claim on behalf of Gibraltar Casualty Company ("Gibraltar"). Our responses to the requests contained in your letter and Rider A attached thereto, follow:

1. Whether the damages claimed are likely to exhaust underlying limits and reach Gibraltar's layer of coverage.

**RESPONSE:** As this matter is still in the preliminary stages, no formal or official estimate of damages has been provided to us, nor have we been provided with a formal estimate of Group R's share of damages, if any. The United States Department of Justice has advised us informally, however, that the total clean-up costs and Natural Resource Damages associated with the Coeur d'Alene basin in Northern Idaho could reach two billion dollars

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(\$2,000,000,000). Given that possibility, we deemed it prudent to notify Gibraltar of Group R's claim. Accordingly, you should take whatever steps you deem necessary to respond to Group R's notice, including undertaking an investigation and making a coverage determination.

### **RIDER A REQUESTS**

1. If you disposed of chemical waste in the Coeur d'Alene Basin, describe the type, quantities and dates each such chemical waste was disposed on site; the specific location on site at which each such quantity of chemical waste was disposed of; the manner and method of disposal used; and any facts or circumstances you considered in choosing each disposal site.

**RESPONSE:** See Group R's response to the USEPA's 104(e) Request for Information ("Group R's 104(e) Response") enclosed herewith. If you wish to receive copies of the documents included in that response, please contact me or Michael Lichtenstein of this office.

2. Please identify the dollar value of the alleged claim asserted against you, and the amount of alleged damage for which you seek indemnification under the policies issued by Gibraltar.

**RESPONSE:** As stated above, no formal or official estimate of damages has been provided to us, nor have we been provided with a formal estimate of Group R's share of damages, if any. The United States Department of Justice has advised us informally, however, that the total clean-up costs and Natural Resource Damages associated with the Coeur d'Alene basin in Northern Idaho could reach two billion dollars (\$2,000,000,000).

3. Please provide information regarding all chemicals allegedly contaminating soil or groundwater on the sites. If contaminants have migrated off-site, provide us with a list of all such chemicals.

**RESPONSE:** The primary damage claim relates to tailings from mining and milling operations that have been deposited in an around the South Fork of the Coeur d'Alene River. Additional claims for cleanup related to mining, milling, and smelting operations also have been made. See also, Group R's 104(e) Response and the proposed Amended Complaints, which were provided to you with our notice letter of October 31, 1997.

4. Please provide the date you first became aware that any chemical had contaminated soil or groundwater at the sites. If contaminants have migrated off-site, provide us with the date you first became aware that any chemicals contaminated soil or groundwater off-site.

**RESPONSE:** See Group R's 104(e) Response.

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5. If any governmental or administrative agency has issued a notice of violation or other complaint alleging a violation of any environmental statute or regulation arising out of your activities at the sites, provide us with all information regarding the same.

**RESPONSE:** At this time, we have not received any notices of potentially responsible party status, demands, or orders for investigation or remediation of the site.

6. If the claimant asserts that other parties deposited chemical wastes at the sites, please provide us with the volume of chemicals disposed by each such party and the nature of the chemical wastes disposed of by each party.

**RESPONSE:** See Group R's 104(e) Response.

7. Please provide documentation of the proper exhaustion of underlying policies, including but not limited to, loss runs, loss dates and amounts paid.

**RESPONSE:** See Response to Rider A question no. 2 above.

8. Please provide copies of all policies underlying Gibraltar policies which were issued to Marmon Group, Inc./Marmon Holdings, Inc./The Pritzker Interests/Group R Co., Inc. for the policy period: 12/1/82 through 10/1/84.

**RESPONSE:** As stated above, this matter is still in the preliminary stages. We currently are in the process of determining our client's full insurance profile. Accordingly, we cannot provide you with this information at this time.

9. Please state the positions taken by other insurers with regard to the subject claim, and provide copies of all reservations of rights letters or other correspondence concerning coverage provided to you by other insurers.

**RESPONSE:** On Group R's behalf, we have notified all of the carriers whose policies may be triggered and of which we are aware. We have received some correspondence from some of the other carriers that we have notified, but because this matter is still in the preliminary stages, we have not yet heard from all of the insurers that have received notice of Group R's claim. Most of the carriers that have responded are seeking additional information or have acknowledged Group R's notice of claim and have indicated that they will respond sometime in the near future. We note that information concerning other carriers should in no way effect your ability to make a coverage determination with respect to Group R's claim.

10. Please state whether Marmon Group Inc. / Marmon Holdings, Inc. / The Pritzker Interests / Group R Co., Inc., or any other insured ever obtained or considered obtaining a policy of Environmental Liability Insurance. If any such policies

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were issued to Marmon Group Inc. / Marmon Holdings, Inc. / The Pritzker Interests / Group R Co., Inc., or any other claimant, please provide copies of same.

**RESPONSE:** See Response to Rider A question no. 8 above.

11. Please state the date when Marmon Group Inc. / Marmon Holdings, Inc. / The Pritzker Interests / Group R Co., Inc., or any other claimant became aware of the discharge, dispersal, release or escape of any contaminants at or from the Sites. Please describe the discharge, dispersal, release or escape which occurred and state whether any records of such incident were kept.

**RESPONSE:** See Group R's 104(e) Response.

12. Please provide any and all information pertinent to the claims or potential claims asserted by Marmon Group Inc. / Marmon Holdings, Inc. / The Pritzker Interests / Group R Co., Inc., or any other claimant under the Gibraltar policies.

**RESPONSE:** See Group R's 104(e) Response.

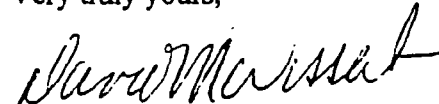
13. Please provide us with the names and addresses of counsel who have been retained to represent your interests in this matter.

**RESPONSE:** This firm, Lowenstein, Sandler, Kohl, Fisher & Boylan, has been retained to represent Group R in this matter. You may contact Michael Lichtenstein or David Wissert of this office at the address and telephone number listed above.

We will continue to keep you updated with respect to the progress of this matter and we look forward to receiving a timely coverage determination.

If you have any questions, or require any additional information, please do not hesitate to contact me or Michael David Lichtenstein of this office.

Very truly yours,



David M. Wissert

Enclosures

cc: Michael David Lichtenstein, Esq. (w/o encl.)

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